

## Senate Bill No. 1335

### CHAPTER 845

An act to add Section 41 to the Revenue and Taxation Code, relating to taxation.

[Approved by Governor September 29, 2014. Filed with  
Secretary of State September 29, 2014.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1335, Leno. Income and corporation taxes: credits: information.

Existing law imposes various taxes and allows specified credits, deductions, exclusions, and exemptions in computing those taxes. Existing law limits the collection and use of taxpayer information and provides that any unauthorized use of this information is punishable as a misdemeanor.

This bill would require any bill, introduced on or after January 1, 2015, that would authorize a personal income or corporation tax credit to contain, among other provisions, specified goals, purposes, and objectives that the tax credit will achieve and detailed performance indicators, including data collection requirements, to measure whether the tax credit is meeting those goals, purposes, and objectives. This bill would provide that taxpayer information collected pursuant to these new requirements is subject to the limitation on the collection and use of that information.

By expanding the scope of a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature finds and declares the following:

(a) Government should demonstrate transparency and accountability when investing public dollars in economic incentives.

(b) Government enacts tax preferences to promote social and economic goals and provides direct benefits to taxpayers without incurring direct expenditures.

(c) Tax preferences represent a major exercise of government power, but face less oversight than many activities on the spending side of the budget.

(d) National and state public finance experts recommend that tax preferences be evaluated alongside direct spending programs, as both are public initiatives meant to accomplish specified goals.

(e) Revenue losses attributable to federal tax preferences exceed any other category of federal spending, including defense, Medicaid and Medicare, social security, debt service, or discretionary spending.

(f) California now forgoes more than \$47 billion in revenue from tax preferences, according to the Department of Finance.

(g) Many current tax preferences do not contain goals and objectives to measure the performance of the tax preference.

(h) Many current tax preferences neither require taxpayers to submit data demonstrating the tax preference's effectiveness, nor for state agencies to collect and send data to the Legislature to evaluate the tax preference.

(i) The Legislature should apply the same level of review and performance measure that it applies to spending programs to tax preference programs, including tax credits.

SEC. 2. Section 41 is added to the Revenue and Taxation Code, to read:

41. Notwithstanding any other law, any bill, introduced on or after January 1, 2015, that would authorize a new credit against the "net tax," as defined in Section 17039, or against the "tax," as defined in Section 23036, or both, shall contain all of the following:

(a) Specific goals, purposes, and objectives that the tax credit will achieve.

(b) Detailed performance indicators for the Legislature to use when measuring whether the tax credit meets the goals, purposes, and objectives stated in the bill.

(c) Data collection requirements to enable the Legislature to determine whether the tax credit is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. The requirements shall include the specific data and baseline measurements to be collected and remitted in each year the credit is in effect, in order for the Legislature to measure the change in performance indicators, and the specific taxpayers, state agencies, or other entities required to collect and remit data.

(d) Taxpayer information collected pursuant to this section is subject to Section 19542.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.